



0000111297

21
CB

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
ChairmanGARY PIERCE
CommissionerPAUL NEWMAN
CommissionerSANDRA D. KENNEDY
CommissionerBOB STUMP
Commissioner

Arizona Corporation Commission

DOCKETED

APR 14 2010

DOCKETED BY

nr

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY TO RESET THE PPFAC RATE
FOR APRIL 2009 THROUGH MARCH 2010DOCKET NOS. E-01933A-05-0650
E-01933A-07-0402DECISION NO. 71639ORDEROpen Meeting
March 31 and April 1, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On October 31, 2009, TEP filed a "Notice of Filing Preliminary Calculation of PPFAC Rate." The document presented a preliminary calculation of the rate for the Purchased Power and Fuel Adjustment Clause ("PPFAC") to be applied during the period of April 1, 2010 to March 31, 2011. On February 1, 2010, TEP filed a required update to the October 31st filing. On February 10, 2010, TEP filed a revised set of schedules which included corrections to the February 1st filing.

3. The PPFAC was originally implemented by Commission Decision No. 70628, dated December 1, 2008. The PPFAC rate consists of a Forward Component and a True-up Component. The Forward Component reflects the forecasted fuel and purchased power costs for an annual period less the average Base Cost of Fuel and Purchased Power reflected in base rates.

1 The True-up component reconciles any over or under-recovered amounts from the preceding 12
2 months to be credited to, or recovered from customers in the next 12 months. Low-Income
3 customers are exempt from paying the PPFAC.

4 4. The PPFAC rate charged to TEP customers is currently zero and TEP proposes that
5 the rate remain at zero for 12 months starting April 1, 1010. The rate is zero because the PPFAC
6 rate is offset by a refund (bill credit) of some of the funds collected under a Fixed Competitive
7 Transition Charge implemented several years ago.

8 5. Decision No. 62103, dated November 30, 1999 approved a settlement agreement
9 which established the Fixed Competitive Transition Charge ("Fixed CTC"). The purpose of the
10 charge was to recover TEP's stranded costs related to electric competition. The CTC was set at
11 \$0.93 per kWh, intended to recover \$450 million and slated to terminate on December 31, 2008 or
12 when the stranded costs were fully recovered, whichever date was sooner.

13 6. Decision No. 69568, dated May 21, 2007, allowed TEP to continue to collect the
14 Fixed CTC beyond the termination in order to support TEP's cash flow position and to avoid
15 customer confusion and disruption from rate fluctuations. The Decision also determined that the
16 incremental revenue generated by continuing the CTC beyond its termination date be subject to
17 refund or credit, with interest, to customers. Decision No. 70628, referenced above, determined
18 that the incremental revenues generated by charging the CTC beyond the date of termination
19 should be credited in their entirety to the ratepayers by means of a credit to the PPFAC.

20 7. On January 1, 2009, the balance of CTC revenues to be refunded through the
21 PPFAC rate ("CTC True-up Revenue") was \$58.8 million. During the calendar year 2009, \$12.5
22 million of the CTC True-up Revenue balance was used to offset the PPFAC rate resulting in a zero
23 PPFAC rate for 12 months. TEP forecasts that by March 31, 2011, the balance of the Fixed CTC
24 True-up Revenue will be \$34.5 million.

25 8. TEP's February 1, 2010 filing, requests a PPFAC Forward Component rate of
26 negative \$0.000826 per kWh, and a True-up Component of positive \$0.001762 resulting in a
27 PPFAC rate of \$0.000936. This rate will be offset by Fixed CTC True-up Revenue of \$0.000936
28

1 per kWh, resulting in a zero PPFAC rate on customer bills for the period of April 1, 2010 through
2 March 31, 2011.

3 9. Staff reviewed the filing along with TEP's assumptions used in developing its
4 forecast of fuel and purchased power expenses, and finds the forecast to be reasonable. Staff
5 recommends that the Commission approve a PPFAC Forward Component rate of negative
6 \$0.000826 per kWh and a True-up Component of positive \$0.001762 per kWh, resulting in a
7 PPFAC rate of \$0.000936. Staff also recommends the PPFAC rate be offset by Fixed CTC True-
8 up Revenue of \$0.000936, resulting in a zero PPFAC rate on customer bills for the period of
9 April 1, 2010 through March 31, 2011.

10 CONCLUSIONS OF LAW

11 1. TEP is an Arizona public service corporation within the meaning of Article XV,
12 Section 2, of the Arizona constitution.

13 2. The Commission has jurisdiction over TEP and over the subject matter of the
14 application.

15 3. The Commission, having reviewed TEP's application and Staff's Memorandum
16 dated March 12, 2010, concludes that it is in the public interest that TEP's PPFAC rate of
17 \$0.000936 per kWh be offset by \$0.000936 per kWh of Fixed CTC True-up Revenue, resulting in
18 a zero PPFAC rate on customer bills for the April 1, 2010 through March 31, 2011 PPFAC year.

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's PPFAC rate be set at \$0.000936 per kWh and be offset by \$0.000936 per kWh of Fixed CTC True-up Revenue, resulting in a zero PPFAC rate on customer bills for the April 1, 2010 through March 31, 2011 PPFAC year.

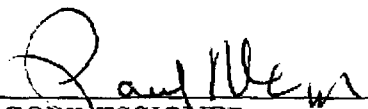
IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

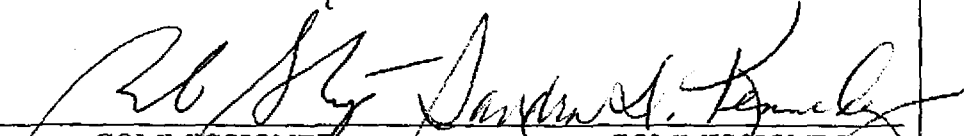
CHAIRMAN



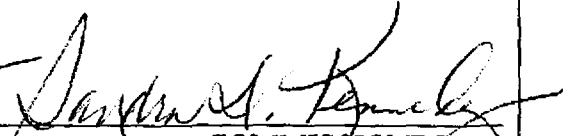
COMMISSIONER



COMMISSIONER




COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 14th day of April, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:LAJ:lhml

SERVICE LIST FOR: Tucson Electric Power Company
DOCKET NOS. E-01933A-05-0650 and E-01933A-07-0402

Mr. Michael W. Patten
Roshka DeWulf & Patten
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Mr. Raymond S. Heyman
UniSource Energy Corporation
One South Church Avenue, Suite 1820
Tucson, Arizona 85701

Ms. Michelle Livengood
Tucson Electric Power Company
One South Church Avenue, Suite 200
Tucson, Arizona 85701

Mr. Daniel Pozefsky
RUCO
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007

Mr. Michael Grant
Gallagher & Kennedy, PA
2575 East Camelback Road
Phoenix, Arizona 85016-9225

Mr. Gary Yaquinto
AUIA
2100 North Central Avenue, Suite 210
Phoenix, Arizona 85004

Mr. Peter Q. Nyce, Jr.
General Attorney, Regulatory Law Office
Office of the Judge Advocate General
Department of the Army
901 North Stuart Street, Room 713
Arlington, Virginia 22203-1644

Mr. Dan Neidlinger
Neidlinger & Assoc.
3020 North 17th Drive
Phoenix, Arizona 85015

Mr. Daniel D. Haws
OSJA, ATTN: ATZS-JAD
USA Intelligence Center
and Ft. Huachuca
Ft. Huachuca, Arizona 85613-6000

Mr. C. Webb Crockett
Fennemore Craig, PC
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913

Mr. Nicholas J. Enoch
Lubin & Enoch, PC
349 North Fourth Avenue
Phoenix, Arizona 85003

Mr. Timothy M. Hogan
AZ Center for Law in the Public Interest
202 East McDowell Road, Suite 153
Phoenix, Arizona 85004

Mr. David Berry
Western Resource Advocates
Post Office Box 1064
Scottsdale, Arizona 85252, 1064

Mr. Eric Guidry
Energy Program Staff Attorney
Western Resource Advocates
2260 Baseline Road, Suite 200
Boulder Colorado 80302

Mr. Jeff Schlegel
SWEEP
1167 West Samalayuca Drive
Tucson, Arizona 85704-3224

Mr. Thomas L. Mumaw
Arizona Public Service Company
Post Office Box 53999
Mail Station: 8695
Phoenix, Arizona 85072-3999

1 Ms. Barbara A. Klemstein
Mr. Brian Brumfield
2 Arizona Public Service Company
Post Office Box 53999
3 Mail Station: 9708
4 Phoenix, Arizona 85072-3999

5 Mr. Michael L. Kurtz
Mr. Kurt J. Boehm
6 Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
7 Cincinnati, Ohio 45202

8 Mr. William P. Sullivan
9 Curtis, Goodwin, Sullivan,
Udall & Schwab, PLC
10 501 East Thomas Road
Phoenix, Arizona 85012

11 Mr. Robert Metli
12 Snell & Wilmer, LLP
13 One Arizona Center
400 East Van Buren
14 Phoenix, Arizona 85004-2202

15 Mr. Lawrence Robertson
16 Post Office Box 1448
Tubac, Arizona 85646

17 Mr. Greg Patterson
18 916 West Adams, Suite 3
Phoenix, Arizona 85007

19 Mr. S. David Childers
20 Low & Childers, PC
21 2999 North 44th Street, Suite 250
Phoenix, Arizona 85018

22 Law Offices of Christopher Hitchcock
23 Post Office Box AT
24 Bisbee, Arizona 85603-0115

25 Mr. Billy L. Burtnett
26 3351 North Riverbend Circle East
Tucson, Arizona 85750-2509

27
28

Mr. John E. O'Hare
3865 North Tucson Boulevard
Tucson, Arizona 85716-1041

Ms. Cynthia Zwick
1940 East Luke Avenue
Phoenix, Arizona 85016

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007